INDIA
FASTEST GROWIN
FREE MARKET DEMOCRACY

INDIAN STATES
Economy and Business

Orissa

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Executive Summary

With a Net State Domestic Product (NSDP) of over US$ 4.9 billion, Orissa ranks fourteenth among the Indian states on the basis of NSDP. Its per capita income in 2003 was US$ 230.

Orissa is located on India's east coast. The state is rich in mineral resources such as coal, iron-ore and bauxite and is poised to emerge as the metals, mining, and a manufacturing hub of the country.

Orissa is the leading producer of aluminium in the country. Its strength in steel and aluminium industry is recognised and major international and domestic players have recently announced a spate of investment in these sectors in the state.

The state's proximity to the fast growing economies of China and South East Asia and the availability of port infrastructure in the state provides it a strategic economic advantage.

Orissa is also the first state to restructure its electricity sector and privatise generation and distribution of electricity. The state has also made significant progress in restructuring its public enterprises.

Industrial Centres in Orissa

An Economic Snapshot

Capital	Bhubaneswar
Area (sq km)	155,707
Population (2001)	36.7 million
Literacy rate (%)	63.6
Human Development Index	0.404
NSDP (US$ billion)	4.9
NSDP growth (%)	4.8
Per Capita Income (US$)	230
Exports (US$ million)	648
National highways length (km)	3,704
Rail length (km)	2,401
Domestic airport	Bhubaneswar
Key industries	Mining Iron & Steel Aluminium
Industries with growth potential	Power IT / ITES Tourism Infrastructure

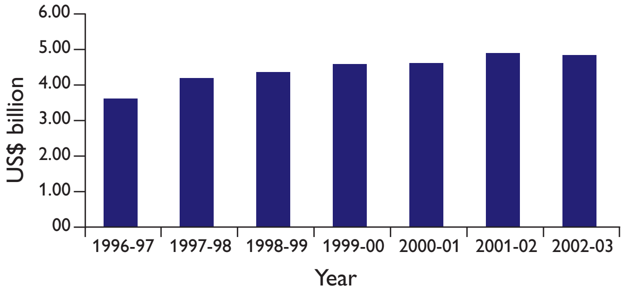
Advantage Orissa

- Proximity to China and South East Asia
- Large mineral resources, particularly coal (25 per cent of India's total), iron-ore (25 per cent) and bauxite (50 per cent)
- First state in the country to restructure and privatise the electricity sector
- Major investment announced by global and Indian investors in steel and aluminium industry
- Potential to become a major coal based electricity generation region
- Potential to develop tourism and IT / ITES industries

THE STATE ECONOMY

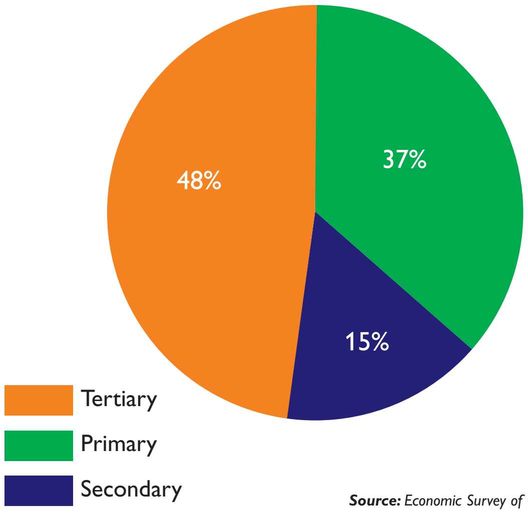
Between 1996-97 and 2002-03, Orissa's real NSDP growth rate was 4.8 per cent, increasing from US$ 3.7 billion to US$ 4.9 billion.

Orissa - NSDP



The tertiary sector has been the largest contributor to Orissa's economy. It is also the fastest growing sector of the economy. Between 1997-98 and 2002-03, the average annual growth rate of the tertiary sector was 6.5 per cent. Although, contribution of the secondary sector to the state economy is low, it showed a high growth of 6.2 per cent during 1997-98 and 2002-03.

Orissa - Sectoral Contribution to GDP



Source: *Economic Survey of Orissa, 2003-04*

The primary sector accounted for 37 per cent of the state's output. Orissa is a state rich in natural resources. Orissa's per capita NSDP is recorded at US$ 230.

INFRASTRUCTURE

Social infrastructure

Orissa has achieved significant progress in improving its social infrastructure. This is best reflected in the state's improving performance on the Human Development Index, where it has risen to the eleventh rank in 2001. Human Development Index value has increased from 0.345 in 1991 to 0.404 in 2001.

Orissa has a population of over 36.7 million (Census 2001) and its population density is 236 persons per sq km. During 1991-2001, Orissa's population growth rate was 15.9 per cent, significantly lower than the national growth rate of 21.3 per cent. Orissa's urban population is 5.4 million, close to 15 per cent of its total population.

The literacy rate in the state was 64 per cent in 2001. Orissa has a strong network of educational institutions, which train a steady pool of qualified professionals for businesses and industries in the state. The state has 9 universities and over 700 institutions of higher education. These include 36 engineering colleges, 159 technical institutes, 47 colleges offering post graduate courses in computer applications, an agriculture university, 20 management institutes, 4 medical colleges (including a dental college), 3 nursing colleges and 14 pharmacy institutes.

Orissa's network of public and government-aided health facilities comprises 180 hospitals, 158 community health centres and 1,350 primary health centres, besides privately run hospital and healthcare centres.

Access infrastructure

The total length of roads in Orissa is over 237,000 km. Orissa's road density of 168.6 km per 100 square km is higher than the national average of 76.8 km. The total length of national highways passing through the state is 3,704 km, this includes the highway connecting Kolkata and Chennai, a major transport corridor between east and south India.

Under the on-going National Highway Development Programme (NHDP), 444 km of national highways in the state are being converted into 4-6 lane carriage-ways. The National Highway Authority of India (NHAI) has taken up 4-laning of NH-5 from Balasore to Icchapuram and NH-60 from Balasore to Laxmannath. Besides the up-gradation under the Golden Quadrilateral Project, the state government proposes to upgrade 1,505 km of existing state highways to national highways.

The state government is also planning to develop a coastal highway along the coastline of Bay of Bengal linking Andhra Pradesh in south and West Bengal in north. The proposed coastline road length is to extend over 674 km from Gopalpur in Orissa to Midnapore in West Bengal and is envisaged to be executed with the assistance from Government of Norway.

Within the state, Orissa plans to introduce an 80 km long mass rapid transit system (MRTS) to connect Cuttack and Bhubaneswar, the two biggest cities in the state.

Orissa - Growth in road network

Year	1998	1999	2000	2001	2002
Total length (in km)	262,272	262,513	236,082	236,993	237,034
Surfaced length (in km)	87,161	88,416	51,231	51,849	52,245

Source: *Ministry of Road Transport and Highways, Government of India*

The total length of the railway network in Orissa is 2,401 km, of which 552 km is electrified track.

Given the significant presence of mineral based industries in the state, the availability of efficient railway links is critical to fully exploit their potential.

A number of projects have been undertaken to improve the railway infrastructure in the state. The Daitari-Banaspani rail link is being implemented with an investment of US$ 130 million. The link shall provide direct port access to the iron-ore rich region of Orissa and will help significantly enhance the competitiveness of iron-ore from the state in international markets. Other projects that have been undertaken include laying 950 km of new railway lines with an investment of US$ 620 million, gauge conversion of 90 km with an investment of US$ 17 million and doubling of 308 km lines with an investment of US$ 205 million.

Orissa has a domestic airport at Bhubaneswar and is well connected to major Indian cities. The state has seen a 15 per cent increase in passenger traffic in 2003-04. Since 1995, the airport has been functioning as a customs airport as well.

Orissa - Growth in air traffic

	2002-03	2003-04	2004-05 (April - June)
Passengers	136,044	156,417	48,277
Cargo (in tonnes)	627	696	185

Source: *Airports Authority of India*

Orissa has a major port at Paradeep and a fair-weather port at Gopalpur both of which are being upgraded. The government has sanctioned over US$ 220 million to upgrade the Paradeep port to international standards, following which, the port will be able to accommodate capsize vessels of 125,000 DWT from the current 70,000 DWT. The Gopalpur fair-weather port is to be converted to an all-weather port as it will offer significant advantages to the proposed Gopalpur Special Economic Zone. A mega port is being developed at Dhamara with private sector participation from Tata Steel and Larsen & Toubro. This US$ 330 million project entails the development of the minor port for both captive and general use. 11 other smaller ports will be developed along the state's 480 km long coastline in a phased manner in synchronisation with the overall economic development of the state.

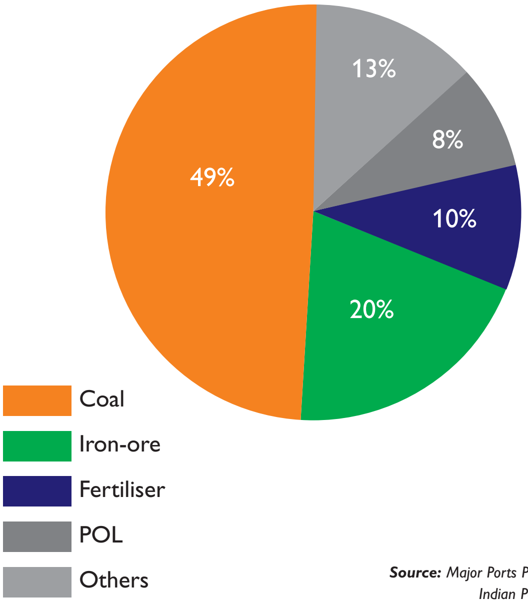
Orissa - Growth in port traffic

(million tonnes)

Year	1999	2000	2001	2002	2003
Cargo handled	13.1	13.6	19.9	21.1	23.9

Source: *Economic Survey of Orissa, 2003-04*

Orissa- Composition of commodities handled by ports
Total - 23.9 million tonnes



Source: *Major Ports Profile 2002-03, Indian Ports Association*

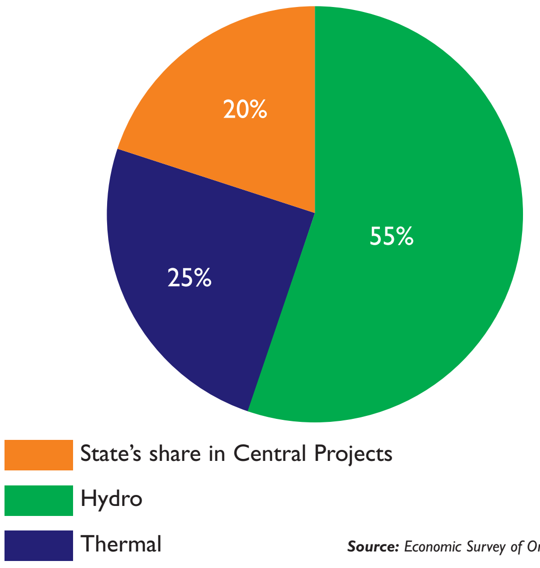
Power

The installed electricity generation capacity of Orissa is 3,489 MW. The state has a captive electricity generation capacity of 1,206 MW. Between 1998-99 and 2002-03, the total availability of power in the state increased from 1,207 MW to 1,371 MW, an annual average growth of 10.78 per cent. On a per capita basis, electricity consumption in Orissa stands at 470 kWh per annum.

Orissa has led the electricity sector reforms in the country. In 1996, the erstwhile state-owned electricity

utility was restructured to form separate corporate entities for generation, transmission and distribution. Subsequently, the generation company was privatised by selling 49 per cent equity stake to AES Corporation, US in 1998. Of the four distribution companies, three are controlled by Reliance Energy and the fourth by AES Corporation.

Orissa - Installed Capacity (2002-03)
Total - 3,489 MW



Source: *Economic Survey of Orissa, 2003-04*

Communications infrastructure

Orissa has witnessed rapid development in the telecommunication services during the last decade. The number of fixed wire telephone subscribers in the state grew from 135,000 in 1995 to over 701,000 in 2003.

Orissa - Growth in fixed wire telephones

Year	1995	1997	1999	2001	2002	2003
Fixed wire telephones (in '000)	135	199	334	526	641	701

Source: *CMIE, Infrastructure Report 2004*

The state has also seen substantial growth in cellular mobile telephony. In 2004, the state had over 336,000 subscribers.

Industrial infrastructure

Orissa has a network of 86 industrial estates developed by the Orissa Industrial Infrastructure Development Corporation. Over 3,000 units have already been set-up in these estates. The state has sector-specific estates for aluminium and software. These estates provide good quality infrastructure support to units located there, including uninterrupted electricity and water supply, sewerage and common roads. Orissa also has an Inland Container Depot at Balasore that is well equipped with modern facilities.

A Memorandum of Understanding has been signed between Government of Orissa and Software Technology Parks of India (STPI) for setting up an STPI Centre at Berhampur. The Berhampur centre will open up facilities like high speed data communication, technology incubation services, training and consultancy. The centre will provide a conducive environment to encourage and promote local entrepreneurship. The centre would also take care of all statutory needs of the software exporting industries like project approval, import approval and export certification.

Special Economic Zones

The Orissa government plans to develop Special Economic Zones at Paradeep and Gopalpur, its port towns. Tata Steel and the Orissa government will set up a special purpose vehicle (SPV) for the proposed Gopalpur Special Economic Zone.

Industrial clusters

Under the Industrial Infrastructure Up-gradation Scheme (IIUS) of the Government of India, the state government is looking at upgrading its industrial clusters and enhancing infrastructure such as roads and water supply.
The major industrial clusters in the state are:

Jajpur region

The Jajpur region contributes to over 10 per cent

of Orissa's mineral production by value. Mineral-based activities provide employment to over 5000 people in the region. Jajpur has large deposits of chromite, iron-ore, coal, limestone, etc., and is fast emerging as the principal region for steel industry in the state. The region has excellent connectivity with Paradeep port which will be enhanced when the proposed greenfield port at Dhamara is functional.

It is also well connected by land to the Howrah-Chennai railway and road links. Currently, the Jajpur region has investment to the tune of US$ 1.1 billion. Leading companies such as Tata Steel and Orissa Mining Corporation are already carrying out operations in the region. Potential investment aggregating over US$ 1.3 billion is expected. The state government also proposes to develop a steel and metallurgical cluster at Jajpur.

Banspani-Berbil region

The Banspani-Berbil region in Keonjhar district in Orissa is rich in mineral deposits especially iron and manganese ores. The region has strong road network and two national highways – NH6 and Express Highway No.2. Companies that plan to invest in the region are:

- Tata Sponge Iron Ltd, the largest sponge iron producer in eastern India, plans to invest over US$ 2.2 billion within the next 10 years
- Vedanta Resources Plc plans to invest US$ 2.7 billion to set up a 5 MT steel plant
- Jindal Steel plans to invest over US$ 800 million in a steel plant

Talcher region

Talcher is one of India's major coalfields with large reserves of power grade non-coking coal. The total geological reserve is estimated to be 36,868 million tonnes, 18.7 per cent of the country's total reserves. In fact, the Talcher region is fast becoming the "energy centre" of Orissa. It already houses the largest thermal electricity plant in the country with a capacity of 2,500 MW, and this is expected to increase to 3,000 MW by 2005. The National Thermal Power Corporation has a large presence in Talcher while Tata Power Company is planning to set up a plant in Talcher.

STATE POLICY

Vision & Mission

Orissa has the potential to optimise social and economic development through policy reforms and investment in physical infrastructure. By improving the investment climate in the state, Orissa can fully exploit and benefit from its competitive advantages in areas such as mineral resources and tourism.

Orissa's vision is to pursue economic growth in a way that leads to a balanced regional development, generates employment opportunities, facilitates access to public services and leads to poverty alleviation through environmentally sustainable practices.

The Tenth Five Year Plan of the state (2002-07) targets an annual growth of 6.2 per cent per annum, which will require an investment of nearly US$ 13 billion. The Plan aims to reduce the poverty level in the state by 7 per cent by 2007 and by 50 per cent by 2015.

The strategic thrust areas identified by the state government for accelerating the state's economic development include:

- Providing an enabling policy framework to facilitate private sector investment. The state plans to offer a balanced mix of procedural improvements, tax incentives and infrastructure development to attract fresh private sector investment. The state shall also review its role in various spheres of economic activity to minimise direct involvement (through Public Sector Enterprises).
- Maximising value addition to mineral resources. The state shall facilitate mineral processing and metal production industries in the state to leverage mineral resources to generate maximum economic benefit for the state's economy.
- Becoming the "electricity hub" of the country by proactively promoting the state as a destination for large coal based electricity generation plants.
- Increasing services sector base to enhance employment opportunities. In order to provide remunerative employment to larger sections of the state's population, the state shall promote development of tourism and IT / ITES sectors.

Industrial policy

To make Orissa more conducive to industrial investment, the state government has adopted the Industrial Policy Resolution 2001 to implement the following initiatives:

- All clearances within the purview of the state government, required for establishment of industrial units, will be accorded within specified time frames
- Industrial and Infrastructural Advisory Committee (IIAC) under the chairmanship of the Chief Secretary will process clearance to fast track projects and other industrial projects needing inter-departmental references
- For "mega industrial projects", special tax incentives have been provided by way of refund of 50 per cent of the sales tax paid (up to a maximum of 100 per cent of the capital investment made) and exemption from entry tax on import of raw materials
- Rationalisation of inspections to be undertaken

The process of restructuring Public Sector Enterprise in Orissa is well established, having been in existence since 1989 when OMC Alloy's charge chrome plant was sold to Tata Steel. At present the state government is implementing a Public Enterprise Reform Programme through a Cabinet Committee on Disinvestment formed in November 2002.

The state government sold its holdings in the 1 MT Idcol Cement to ACC Ltd for US$ 40 million and the Nayagarh Sugar Mill to ECP Industries Ltd for nearly US$ 1.2 million. Other public sector enterprises sold to private entrepreneurs are the Orissa Leather Industries, Orissa Pump Engineering Company and Orissa Ferro Chrome. The state has also closed 11 public sector enterprises till now.

Orissa has led electricity sector reforms in the country. In April 1996, the erstwhile state-owned electricity utility was restructured to form separate corporate entities for generation, transmission and distribution.

Port policy

The state government has formed a Port policy to increase Orissa's share in exports and imports and in national and international trade and commerce. Its features are:

- Creation of Orissa Maritime Board (OMB) that will act as a single window agency for development of ports and inland waterways. The OMB would interact and facilitate the development and implementation of an integrated maritime development plan for the state.
- Encourage private investment in ports through development of greenfield minor ports in the state.
- Privatise services in the following areas: lighterage, dredging, piloting, tug towing service and other essential utility services.
- For greenfield projects, the cost of private land acquisition shall be borne by the developer. However, this cost shall be compensated during the concession period by adjusting it against the future revenues that would accrue to the state government / OMB.

e-Governance

The state government is initiating the first phase of its e-governance initiative by inducting a suitable strategic partner for the purpose. The project shall cover the following public services:

- Commercial taxes
- Composite check gates at the state borders
- Land records, stamps and registration
- Treasuries
- Comptroller of Accounts of Finance department
- Integrated bill collection centres for various services

Orissa hosted the 8th National e-Governance Conference in February, 2005. This conference provided an excellent opportunity to showcase the advances made in this front over the last few years. Orissa has taken several new initiatives in Information & Communications Technology (ICT) and e-Governance sector. The state is making sincere efforts to expand e-Governance programmes for the benefit of the common man. Of this, the GRAMSAT Project implemented under the aegis of the Department of Space, Government of India is a unique project connecting 314 blocks of the state with a dedicated VSAT network.

Single Window Clearance

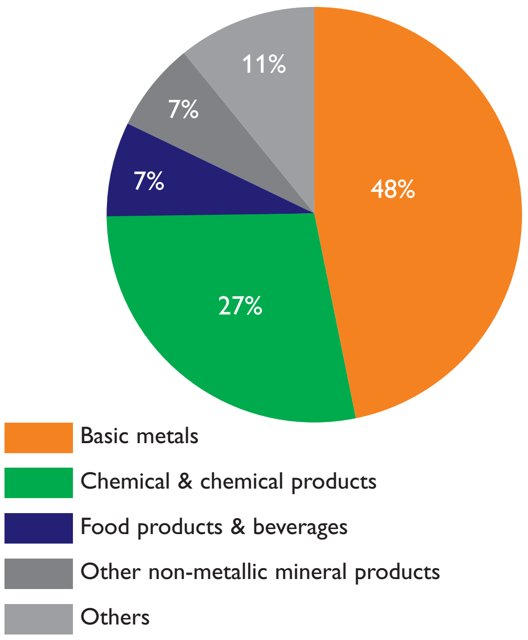
The state government recently decided to introduce legislation for implementation of the Single Window Clearance system. The key features of the system are:

- High-level clearance authority under the chairmanship of the Chief Minister will consider projects with investment greater than US$ 11 million
- Single Window Clearance Authority (SWA) headed by the Chief Secretary would consider projects with investment greater than US$ 0.67 million and less then US$ 11 million
- District-level Authority (DLA) can clear projects with an investment up to US$ 0.67 million

BUSINESS OPPORTUNITIES

Key industries

Orissa - Key Industries
(Total NVA - US$ 507 million)



Source: Annual Survey of Industries 2002-03
(NVA stands for Net Value Addition)

Mining

Orissa is one of the largest mineral producing states in India. It is endowed with a variety of mineral resources, particularly coal, iron-ore and bauxite. Other significant minerals include chromite and nickel ore.

Orissa - Minerals reserves and production

Mineral	Proven reserves (million tonnes)		Production (million tonnes)	
	Orissa	India	Orissa	India
Coal	58,012	234,114	47.8	327.6
Iron Ore	4,177	17,712	16.2	83.3
Bauxite	1,370	2,807	3.60	8.58
Chromite	110	114	1.79	1.81

Source: *Indian Bureau of Mines, Reserves as on 2000, Production in 2001-02*

The mineral industry is an important source of revenue for the state government, which earns US$ 100 million annually as mining revenue and cess. The state government is facilitating proper exploitation of its mineral wealth by promoting mining and mineral based industries. Prominent mining companies present in the state are Tata Steel, Mahanadi Coalfields Ltd, Jindal, Balasore Alloys Ltd and OMC.

Iron & Steel

With over 25 per cent of India's iron ore reserves, Orissa accounts for over 10 per cent of India's steel production capacity and has a crucial advantage in the iron & steel industry. Further, the presence of seaports in the state makes exports and imports cost effective and more competitive. The government has been taking steps to promote the iron & steel industry in the state. Prominent players present in Orissa's steel industry are SAIL and Neelachal Ispat.

The state government has signed Memoranda of Understanding (MoU) with 14 companies for setting up steel plants of various capacities in the iron-ore rich parts of the state.

These include:

- Posco (Pohang Steel Company), 5th largest steel producer in the world, signed a MoU with Government of Orissa to set up a 12 MT integrated steel plant at Paradeep.
- Tata Steel, India's largest private steel maker plans to develop a 6 MT steel plant at Duburi with an investment of US$ 3.3 billion.
- Vedanta Resources Plc plans to set up a 5 MT steel plant in Keonjhar district of Orissa at an approximate cost of US$ 2.7 billion.
- Essar Steel plans to set up a greenfield steel plant in Orissa with a capacity of 4.25 MT with a likely investment of over US$ 1.5 billion.

- Jindal Stainless Ltd is setting up a greenfield stainless steel complex in Jajpur district with an investment of around US$ 900 million. It will include a ferro chrome facility of 0.48 MT, stainless steel capacity of 1.6 MT and a 500 MW coal-based power plant.
- Jindal Steel and Power Ltd has signed a MoU with the Orissa government to set up a 2 MT ferro alloys plant and a 200 MW captive power plant in Keonjhar and Angul districts respectively with an investment of over US$ 880 million.
- SAIL has announced a US$ 55 million expansion programme for its Rourkela steel plant. The project envisages capacity expansion from the present 1.6 MT to 2.3 MT.
- Ispat Industries plans to set up a 4 MT pellet plant in Orissa.

Aluminium

Orissa is the largest producer of aluminium in India. In 2003-04, it produced over 365,000 tonnes of aluminium, representing around half of India's total aluminium production. Orissa's key advantage for aluminium industry is the fact that the state accounts for half of India's bauxite reserves. Its location makes it close to the Chinese and South East Asian markets and the presence of large ports makes it easier to access large export markets.

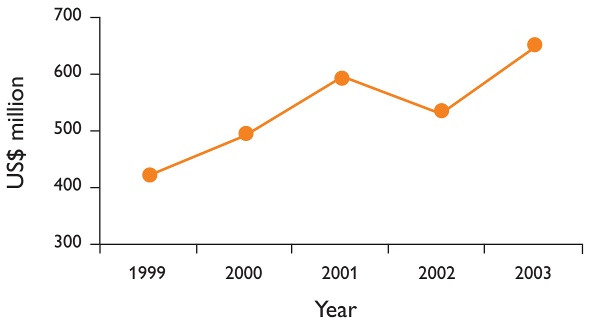
Prominent players in the aluminium industry in Orissa are NALCO and INDAL. NALCO is expanding its aluminium capacity from 288,000 TPA to 345,000 TPA. INDAL is expanding its production capacity at Hirakud from 65,000 to 100,000 TPA with a total investment of US$ 130 million. Utkal Aluminium, a joint venture between AV Birla group and Alcan, Canada, is setting up a 1.5 MT aluminium project with an investment of over US$ 2.2 billion.

Vedanta Resources Plc is promoting a 1.4 MT alumina project at Lanjigarh in Kalahandi district of the state at a cost of nearly US$ 800 million.

Exports

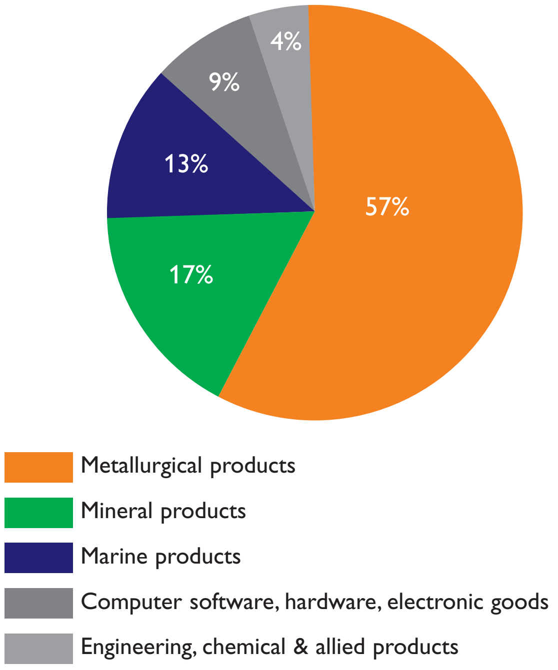
Between 1999 and 2003, exports from Orissa increased from US$ 421 million to US$ 648 million - an annual growth rate of 11.4 per cent

Orissa - Export performance



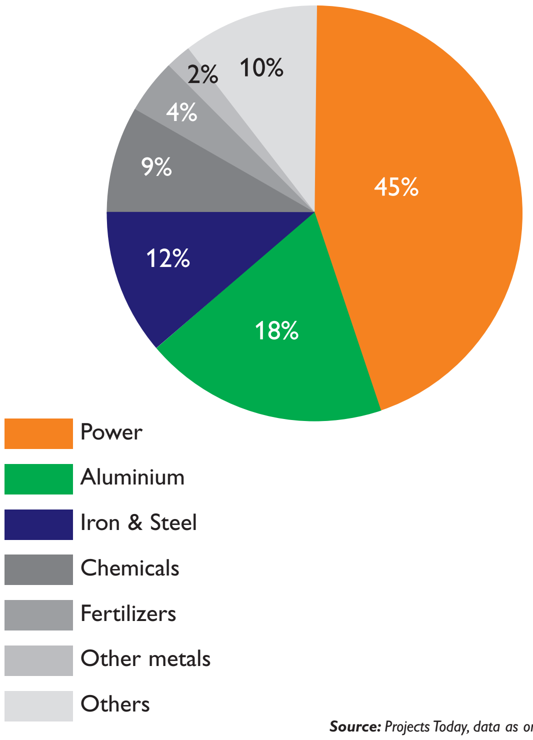
Source: *Economic Survey of Orissa, 2003-04*

Orissa - Composition of Exports



Source: *Economic Survey of Orissa, 2003–04*

Orissa - Distribution of investment



***Source:** Projects Today, data as on July 31, 2004*

Investment

The key industries in Orissa are primarily basic metals (including iron & steel, aluminium) and chemicals & chemical products. Between 1991-04, Orissa attracted 0.9 per cent of India's investment, aggregating to nearly US$ 370 million.

Currently, investment worth US$ 20 billion are in the pipeline in Orissa and a sector-wise breakup of these projects indicates that a majority the investment are in electricity generation and mineral-based industries including aluminium and steel.

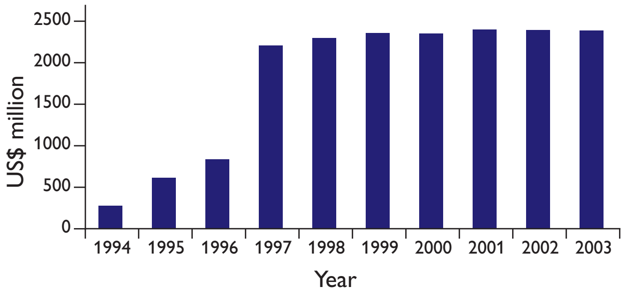
Orissa can emerge as a hub for metals business in India and has the potential to attract investment up to US$ 30-40 billion over the next five years if it focuses on utilising the opportunity presented by the current global metals cycle. With its locational advantage, and the current up trend in global materials, the state can become the metals, mining, and manufacturing hub of the country.

Though Orissa accounted for only 6.3 per cent of projects under implementation as on January 2005, its share of India's aggregate outstanding projects 'announced' has risen to 17 per cent. Its share in manufacturing sector projects announced in India is higher at 38 per cent and the investment value of projects announced in Orissa has shot up over four times to US$ 24 billion as on January 2005 from US$ 5.5 billion in January 2004 (Centre for Monitoring Indian Economy).

Foreign Direct Investment

During 1991 to 2003, Orissa approved over

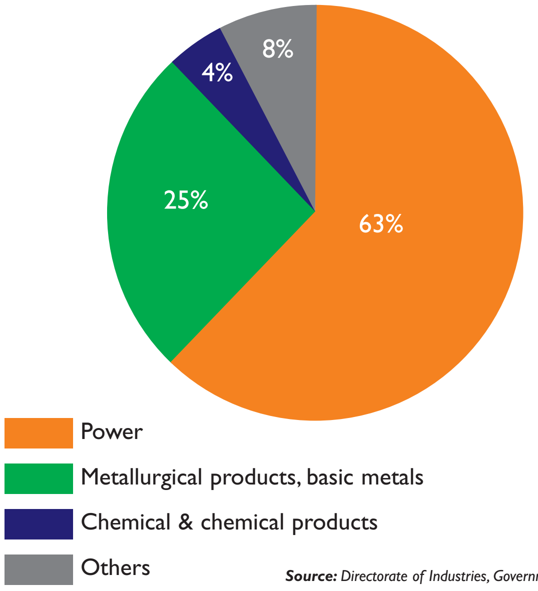
Orissa - Cumulative FDI



***Source:** Directorate of Industries, Government of Orissa*

US$ 2.3 billion of foreign direct investment. The key sectors attracting FDI in Orissa are electricity, metals & metallurgical products, chemical and chemical products.

FDI - Sectoral Break-Up



***Source:** Directorate of Industries, Government of Orissa*

Potential hubs for investment

In addition to its present areas of strength, a number of sectors are emerging with substantial potential for private investment and business. The most prominent among them are power generation and distribution, IT and ITES and tourism.

Power

Orissa has over 58 billion tonnes of coal reserves amounting to 25 per cent of India's total reserves. The total power generation potential in the state is 20,000 MW.

With the enactment of legislation in power sector, inter-state supply and trading of electricity has been permitted and coal-based electricity generation plants in the state can supply electricity to deficient markets in other parts of India at a competitive price. The state has been working at attracting investment in this sector and several power projects are being expanded or are in the pipeline.

These include:

- OPGC, a joint venture between AES Corporation and the Orissa government, plans to expand its IB Valley plant's capacity by 500 MW with an investment of US$ 400 million
- NTPC is expanding its Talcher plant by 500 MW. Reliance Energy proposes to set up a US$ 4 billion, 3,960-MW electricity generation plant at Hirma in Orissa
- Orissa Hydro Power Corporation (OHPC) is considering developing a 500 MW thermal power project in Jharsuguda district
- Neyveli Lignite Corporation (NLC) plans to develop a 200 MW power project at Banharpalli, near the IB Valley power project
- Tata Power Company is also planning to develop a power project near Talcher

Orissa - Electricity generation projects under implementation

Location	Size (MW)
Talcher-II project	500
IB Valley project - Units 3 & 4	420
Total	920

Source: *PwC research*

Orissa - Planned electricity generation projects

Location	Size (MW)
Naraj-Duburi project	1,000
IB Valley project - Units 5 & 6	420
Hirma Stage I	3,960
Talcher-III project	1,500
Bhimkund project	400
Hirakud-Chiplima project	1,368
Hirma Stage II	3,960
Total	12,608

Source: *PwC research*

IT and ITES

Orissa is fast developing as an important IT and ITES destination. In 2002-03, Orissa had software exports in excess of US$ 55 million. The total IT related investment that the state has attracted are over US$ 65 million. The state has the vision of achieving an export target of US$ 2.2 billion by 2008.

There are over 160 companies present in the Software Technology Parks of India, Bhubaneswar. The major players present in the state include Infosys and Satyam.

The state government is taking steps to provide a conducive policy framework to potential investors in the sector. The state government recently announced an Information and Communication Technology Policy 2004 to attract more IT / ITES investment in the state. The government also has a single point interface for all approvals for setting up IT industry in the state.

Orissa offers almost 20-25 per cent savings in cost of operation in comparison to other leading IT destinations in India due to very competitive rates of infrastructure inputs like land and electricity and low employee cost and cost of living. A strong education network also ensures the availability of a qualified talent pool at lower costs.

Tourism

In 2002, Orissa attracted over 23,000 foreign and over 3.4 million domestic tourists. Currently, Orissa's share in India's tourist arrivals (both foreign and domestic) stands at nearly 1 per cent.

Orissa offers diverse tourism destinations to cater to different types of tourists. It has popular beaches at Puri, Gopalpur and Chandipur, popular Buddhist attractions at Dhauli and Ratnagiri, religious and cultural attractions at Puri, Konark, Bhubaneswar and 20 national parks and sanctuaries such as Chilika, Simlipal.

Orissa has a developed tourism infrastructure, with over 17,000 hotel rooms spread over more than 829 hotels.

To provide a fillip to the tourism industry, the state government has announced a progressive tourism policy. It is also undertaking a study with the help of Department for International Development, UK to promote tourism in the state. The state is undertaking efforts to develop and promote a Buddhist circuit in Orissa and develop Special Tourism Areas for promoting tourism.

Infrastructure

In view of the proposals of massive investment lined up in the metals and minerals sector, the state needs to urgently upgrade its infrastructure. The state government has signed 35 MoUs for setting up steel plants and three more for establishment of alumina / aluminium projects whose combined estimated investment is pegged at over US$ 2 billion. These mega industries need investment in road and rail infrastructure.

PROFILE OF KEY PLAYERS IN ORISSA

AES Corporation

The US$ 8.4 billion AES is a leading global power company that generates and distributes electricity worldwide from 114 power plants and 17 distribution businesses in 27 countries. AES came to Orissa in 1998 when the state invited international bidders to disinvest the Orissa Power Generation Corporation (OPGC) following implementation of its Electricity Reform Act, 1995. AES, holds 49 per cent of shares in OPGC, and manages the corporation's two generation units, each with a capacity of 210 MW. AES has invested over US$ 150 million in the power sector in Orissa. AES also holds 51 per cent stake in CESCO, one of the four electricity distribution companies in the state. The company has started the process of setting up of two more units of 250 MW each at the IB Thermal Power Station, which will commence operations by 2007-08. Future investment planned by the company in Orissa are to the tune of US$ 380 million.

Balasore Alloys Ltd (BAL)

Balasore Alloys Ltd, formerly Ispat Alloys Ltd is a member of the renowned Ispat Group of companies owned by Mittals. The other group companies are Ispat Industries Ltd, Ispat Metallics India Ltd, Ispat Profiles India Ltd, Gontermann Peipers India Ltd etc. BAL is an ISO 9002 Company and produces various Ferro Alloys. The company incorporates the most advanced technologies into its manufacturing process to ensure desired quality of its products. The advanced process technology and sophisticated equipment have been acquired from world leaders of metals and ferro alloy equipment.

Bargarh Cement Ltd (BCL)

Bargarh Cement Ltd, the newest subsidiary of ACC Ltd, was formerly called IDCOL Cement Ltd. BCL has a cement plant located at Bargarh in western Orissa with a capacity of 0.96 MTPA. The plant has a modern dry process kill and pre-dominantly manufactures portland cement.

INDAL

INDAL is a part of the US$ 6 billion AV Birla Group, one of India's largest business houses. The company is vertically integrated through all stages of the aluminium business and is part of Hindalco, Asia's largest primary producer of aluminium, and among the most cost-efficient producers globally.
The company enjoys 50 per cent market share in primary aluminium and downstream products. INDAL has bauxite ore mining, aluminium smelting and electricity generation plants at different locations in Orissa. Currently, it is expanding the capacity of its smelter plant at Hirakud from 65,000 to 100,000 TPA and adding a 100 MW captive electricity generation plant in the state with a total investment of US$ 130 million. In India, INDAL has a nationwide spread of plants and mines, operating through all stages of the aluminium value chain from bauxite mining, alumina refining, aluminium smelting with captive power to downstream sheet and foil rolling and extrusions. It also commissioned India's first scrap recycling facility to promote aluminium as the eco-friendly metal that can be recycled over and over again, consuming less power and conserving natural resources.

INDAL's Hirakud Smelter has received several rewards for safety and environment conservation such as the British Safety Sword of Honour presented by the British Safety Council, the National Energy Conservation Award (Special Prize) for the year 2002, the National Safety Council Award for developing and implementing effective management systems and procedures among others.

Infosys Technologies Ltd

The US$ 1.06 billion Infosys Technologies is India's

leading software services and IT consulting firm. In Orissa, it has a world-class development centre at Bhubaneswar with employee strength of 1,200. Infosys plans to expand its present strength at Bhubaneswar centre to 2,400 by year-end. It recently acquired 27 acres land at an IT park in the city.

Mahanadi Coalfields Ltd (MCL)

Mahanadi Coalfields Ltd is a subsidiary of Coal India Ltd (CIL) and was formed in 1992. It has two coalfields Talcher and IB Valley in Orissa. The state accounts for 24.6 per cent of reserves in the country amounting to 60.98 billion tonnes. Since the inception of MCL coal production has increased from 23.14 million tonnes to 60.98 million tonnes in the year 2004-05.

National Aluminium Company Ltd (NALCO)

National Aluminium Company Ltd is Asia's largest integrated aluminium complex, encompassing bauxite mining, alumina refining, aluminium smelting and casting, power generation, rail and port operations. In 2003-04, the company's revenues exceeded US$ 730 million. NALCO a public sector enterprise is India's leading producer and exporter of alumina and aluminium. In Orissa, NALCO has bauxite mines and a alumina refinery at Koraput, and a aluminium smelter, captive power plant and rolled products unit at Angul. The company is currently expanding its operations in Orissa with an investment of US$ 870 million.

National Thermal Power Corporation (NTPC)

National Thermal Power Corporation is India's largest and the world's sixth largest electricity generation company. In 2003-04, it had a share of 19.4 per cent of installed capacity in India, generating 27 per cent of total electricity in the country. NTPC has two plants in Orissa at Talcher and Angul in Kahina. These have an installed capacity of 3,000 MW. NTPC is further expanding the generation capacity of Talcher plant by 500 MW by 2006 with an investment of US$ 75.7 million.

Paradeep Phosphates Ltd (PPL)

Paradeep Phosphates Ltd is a major manufacturer of phosphatic fertilisers in India and is Asia's second largest producer of DAP. In 2003-04, the company's sales stood at US$ 229 million. The company is part-owned by the K K Birla Group and the OCP Group of Morocco. PPL produces one million tonnes of DAP and other complex phosphatic fertilisers annually. In Orissa, the company's plant is located in the port town of Paradeep. PPL's wide range of products cater to almost all agricultural applications. PPL is an ISO 9002 and ISO 14001 company.

Pohang Steel Company (Posco)

South Korean steel major Pohang Steel Company (Posco), 5th largest steel maker in the world, proposes to set up a 12 million tonne steel plant in Orissa with an investment of US$ 10 billion at Paradeep. The company currently has been given mining rights for 480 million tones of iron-ore.

Reliance Energy Ltd (REL)

The US$ 789 million REL is India's leading integrated electricity utility company in the private sector. REL distributes nearly 16,000 million units of power to over 5 million consumers in Mumbai, Delhi, Orissa and Goa, across an area covering 1,24,300 sq km. In Orissa, REL has invested in three electricity distribution companies. The three distribution companies were acquired for US$ 260 million. NESCO caters to a consumer base of 0.40 million with an annual energy input of 2,500 MW. WESCO caters to a consumer base of 0.40 million with an annual energy input of 3,700 MW. SOUTHCO caters to a consumer base of 0.40 million with an annual energy input of 1,600 MW. The company has plans to set up a 3,960 MW coal based electricity plant at Hirma in Orissa.

Satyam Computers Ltd

Satyam Computers is a global IT services company that offers end-to-end IT solutions. Satyam is present in 46 countries, across 6 continents and employs nearly 20,000 IT professionals. It works with over

390 global companies, including over 144 Fortune 500 corporations. In Orissa, Satyam's Bhubaneswar facility is a dedicated development centre for the company's global customers. It has over 200 employees at this facility and plans to increase the number of employees in the near future.

Steel Authority of India Ltd (SAIL)

US$ 5.7 billion SAIL is India's leading steel-making company. In Orissa, SAIL has the Rourkela steel plant, the first integrated steel plant in the public sector in India. The plant has a capacity 2 million tonnes of hot metal, 1.9 million tonnes of crude steel and 1.671 million tonnes of saleable steel. Its wide and sophisticated product range includes various flat, tubular and coated products. SAIL has announced a US$ 55 million expansion programme for the Rourkela plant. The project, spread over 18 months, envisages capacity expansion of 40 per cent from the present 1.6 MTPA to 2.3 MTPA by the end of 2005-06.

Tata steel

Tata Steel began mining the iron-one reserves at the Joda East Iron Mine in the Keonjhar district in 1955. The Joda Mine was modernised in 1944 by incorporating a wet processing circuit. This resulted in an increase in capacity from 0.72 to 2.1 MTPA. In Joda, iron-one occurs with extensive mechanised open cast mining. Due attention is paid to ecological factors which helps maintain a pollution-free ambience in the entire valley. Another iron-ore mine in the Tata Steel fold located in the Keonjhar district is the Khondbond mine. Spread over an area of around 1290 hectares, this mine is being worked by semi-mechanised open cast mining and is recognized for producing rich grade material.

Tata Refractories Ltd (TRL)

Tata Refractories Ltd is the largest refractories manufacturing company in India. It was promoted by Tata Steel and Didier Werke, Germany and began production in 1958. Located at Belpahar in the Harsuguda district of Orissa, TRL is a modern refractories production facility with an installed capacity of 1,23,000 TPA. Besides the production units, TRL also has a modern research centre and a township with all welfare facilities like hospital, school, clubs, etc. The initial capital investment in TRL was US$ 0.85 million which slowly increased to a figure as high as US$ 30 million in 1999-2000.

Utkal Aluminium

Utkal Aluminium, is a joint venture between AV Birla Group company INDAL and Alcan, Canada. The company is setting up a 1.5 MT greenfield aluminium refinery at Doragurha in the Rayagada district in Orissa. The project is being set up with an investment of over US$ 2.2 billion.

Vedanta Resources Ltd

The US$ 1.3 billion Vedanta Resources Ltd, the London-based holding company of Sterlite group, is poised to become a key player in the steel and aluminium industry in India. Vedanta operates several bauxite mines within the aluminium operations at Balco and Malco. Its new operation, Vedanta Alumina, is being established in Orissa. The alumina smelter plant will have a capacity of 1.4 MTPA and will initially produce 1 MTPA of alumina for expanding aluminium facilities at Korba. The remaining alumina will be available for sale to third parties. The project also includes setting up a 1,000 MW power plant. The project is expected to be commissioned in March 2007. In Orissa, the company's mining area is spread over 680 hectare of Niyamgiri forests in Kalahandi district. Vedanta also plans to set up a 5 MTPA steel plant in Keonjhar district of Orissa at an approximate cost of US$ 2.7 billion. The project will be implemented in two phases and first phase is expected to be completed by 2009.

DOING BUSINESS IN ORISSA

Indicative list of approvals and clearances

An indicative list of approvals with timeframe for setting up business in Orissa

Procedure	Timelines
Building permission	10 days
Power connection	7 days
Allotment of land	21 days
Water connection	21 days
Sanction of loan from IPICOL	30 days
Pollution clearance	10 - 60 days (based on type of industry)

Source: *PwC research*

Cost of setting up Business

An indicative table on cost of setting up business in Orissa

Indicator	Value (in US$)
Industrial land (per sq mt)	0.48 - 9.57
Office space rent (per sq ft per month)	0.287
Residential rent (for a 2,000 sq house, per month)	105.3
5-star hotel room (Single Occupancy, per night)	86
Electricity (per kWh)	0.067
Water (per 1000 litres)	0.287

Source: *IDCO, OERC and PwC research*
Note: *Exchange rate used is INR per US$*

Contact for information

State Government Website

www.orissagov.nic.in/

Confederation of Indian Industry (CII)

Information on markets and opportunities for investment in Orissa can also be obtained from Confederation of Indian Industry which works with the objective of creating a symbiotic interface between industry and government.

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